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Schemes for Reducing Tax Disputes

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Why in News

Recently, the Finance Secretary has said that the **new system of faceless assessment and appeal** would help bring down tax disputes substantially.

Key Points

- **Tax Disputes (Data):**
 - As per official data, the **amount involved in tax disputes was over Rs. 11 lakh crore in FY19-end, up 23% over a year-ago.**
 - Since India has a very **high number of tax litigations**, the **resolution times are significantly higher**, involving time and cost (on the part of the government as well as taxpayers).

- **Initiatives Taken to Reduce Tax Disputes:**

- **Dispute Resolution Committee:**

- In **Budget 2021**, the Minister of Finance has proposed the formation of a Dispute Resolution Committee (DRC) in order to provide quicker relief to taxpayers in tax disputes.
- It will be **formed under a new section, 245MA**, of the Income Tax Act.
- The DRC will **cater to small taxpayers** having a taxable income of up to Rs. 50 lakh and a disputed income of up to Rs. 10 lakh.
- The Committee **will have the powers** to reduce, waive any penalty or give immunity from any offence punishable under the Income Tax Act.
- The **alternative mechanism through the DRC** shall help taxpayers in preventing new disputes and settling the issue at the very initial stage.

India has been **ranked at 88 in the World Rule of Law Index 2020** in terms of accessibility of alternative dispute resolution mechanisms.

- **Faceless Assessment and Appeal:**

- The Prime Minister in August 2020 announced three key structural tax reforms under the **'Transparent Taxation - Honouring the Honest' platform** - faceless assessment, faceless appeal and taxpayers' charter.
- The **faceless assessment system** was launched to remove the need of the physical presence of the taxpayers in front of the tax officials.

Since the launch of faceless random assessment, over 50,000 disputes have been settled.

- The **faceless appeals system** aims to eliminate discretionary powers of the taxman, curb corrupt practices and provide ease of compliance to taxpayers.

Income Tax **appeals will be finalised in a faceless manner** with the exception of appeals related to serious fraud, major tax evasion, search matters, international tax issues and matters pertaining to black money.

- The **tax charter** elaborated on the rights and responsibilities of the taxpayers to help them familiarise with the whole process of Income Tax collection.
- The effort is on to establish a **National Faceless Income Tax Appellate Tribunal Centre** that will offer personal hearings through video-conferencing.

o **Vivad Se Vishwas Scheme:**

- The **scheme** provides for **settlement of disputed tax, disputed interest, disputed penalty or disputed fees** in relation to an assessment or reassessment order on payment of 100% of the disputed tax and 25% of the disputed penalty or interest or fee.
- The **Direct Tax Vivad se Vishwas Act, 2020** was enacted in March 2020 to settle direct tax disputes locked up in various appellate forums.
- As many as 1.25 lakh cases, a quarter of all direct disputes, have opted for Vivad se Vishwas scheme, enabling settlement of Rs. 97,000 crore in tax demands.

Source: IE